

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 109th Congress¹**

[Date approved: September 28, 2005]²

Bill No. and sponsor: H.R. 1927 (Mr. Hulshof)

Proponent name, location: Ford Motor Co.
Dearborn, MI

Other bills on product (109th Congress only): None.

Nature of bill: Temporary duty reduction through Dec. 31, 2008.

Retroactive effect: None.

Suggested article description(s) for enactment (including appropriate HTS subheading(s)):

Nickel metal-hydride storage batteries, exceeding 300 V, the foregoing designed for use in hybrid motor vehicles of heading 8703 (provided for in subheading 8507.80.80)

Check one: ☐ Same as that in bill as introduced
 ☒ Different from that in bill as introduced (see Technical comments section)

Product information, including uses/applications and source(s) of imports:

Nickel metal-hydride (NiMH) storage batteries exceeding 300 V are the main batteries for the hybrid vehicle, providing enough power to drive the vehicle and/or to store electrical energy for starting the gasoline engine and boosting acceleration (depending on the type of hybrid technology employed). The batteries also power auxiliary systems, such as air conditioning and dashboard displays, when the vehicles' engines and electric motors are not running (e.g., when the vehicles are stopped). This type of battery stores energy generated from the gasoline engine or from the electric motor during regenerative braking. The NiMH battery for a hybrid vehicle is a deep cycle battery, meaning that the battery can be fully discharged and recharged over and over again. The configuration and structure of the battery reflect company design as well as its intended use. Such a battery can be cylindrical or prismatic (rectangular). The battery generally consists of individual cells that are grouped in a casing or package. The cells comprise a nickel-hydroxide cathode (positive electrode) and a metal hydride anode (negative electrode), with an electrolyte of potassium hydroxide. The cells are connected together to generate the necessary voltage for power requirements and are packaged in another larger container or pack with external electrical connectors. These batteries are imported from Japan.

¹ Industry analyst preparing report: Deborah A. McNay (202-205-3425); Tariff Affairs contact: Jan Summers (202-205-2605).

² Access to an electronic copy of this memorandum is available at <http://www.usitc.gov/billrpts.htm>.

Estimated effect on customs revenue:³

HTS subheading: <u>8507.80.80</u>					
	2005	2006	2007	2008	2009
Col. 1-General rate of duty	3.4%	3.4%	3.4%	3.4%	3.4%
Estimated value <i>dutiable</i> imports	\$84,826,765	\$84,826,765	\$84,826,765	\$84,826,765	\$84,826,765
Customs revenue loss <u>1/</u>	\$2,884,110	\$2,884,110	\$2,884,110	\$2,884,110	\$2,884,110

1/ Discussions with industry representatives suggest that the intent may have been a temporary duty rate of 0.77%, which would result in an annual revenue loss of \$2,230,944.

Source of estimated dutiable import data: Commission staff and industry estimates. The revenue loss data represent the difference between the general duty rate and the proposed reduced duty rate.

Contacts with domestic firms/organizations (including the proponent):

Name of firm/organization	Date contacted	US production of same or competitive product claimed?	Submission attached?	Opposition noted?
		(Yes/No)		
Ford Motor Company (Proponent) J.T. Young, 202-962-5379	6/2005-8/2005	No	No	No
Bosch Norm Johnson, <i>norman.johnson@us.bosch.com</i>	6/22/2005	No	No	No
Cobasys Ray Wagner, 248-620-5700	6/20/2005	No	No	No
Delphi Dina Vizzaccaro, <i>dina.vizzaccaro@delphi.com</i> ; John Anderson, 202-824-0401	6/20/2005 6/22/2005	No	No	No
Denso John Voorhorst, <i>john_voorhorst@denso-diam.com</i>	6/22/2005	No	No	No

³ Both Toyota and Nissan have announced plans to start manufacturing hybrid vehicles in the United States in 2006. Ford plans to add three hybrid models to its current hybrid line-up by 2008. The estimated import value and revenue loss provided in this report do not reflect any increase in imports that may result from this future production. However, the value of U.S. imports—and consequently the revenue loss—may increase if these manufacturers import components that are classified within this proposed heading for their U.S. hybrid vehicle production.

General Motors Shirley Zebroski, 202-775-5082	6/22/2005	No	No	No
Honda Toni Harrington, 202-661-4400	6/22/2005	No	Yes	No
Johnson Controls Mark Wagner, 202-393-3224	6/20/2005	No	No	No
Motor and Equipment Manufacturers Assn . Meredith Tunick, 202-312-9249	6/21/2005	No	No	No
Toyota David Vennett, <i>dvennett@tma.toyota.com</i>	6/20/2005	No	No	No
Visteon Lydia Allen, <i>Lallen@visteon.com</i>	6/21/2005	No	No	No

Technical comments:⁴

It is suggested that the article description be amended very slightly as shown on page 1, to be consistent with more common industry usage and to be as clear as possible about the goods in question. There may be some confusion about the intended reduced general duty rate, which in the bill as drafted should have been written as “0.077%”; however, discussions with the proponent suggest that the intent may have been to apply a temporary general rate that would properly be written as “0.77%”—resulting in an annual customs revenue loss of \$2,230,944 rather than the higher figure set forth in the table above. Last, with respect to the descriptor “hybrid,” which is not defined in the bill or in a legal provision of the HTS, no additional criteria are suggested because no confusion about the nature of these vehicles has been noted during the preparation of this report.

⁴ The Commission may express an opinion on the HTS classification of a product to facilitate consideration of the bill. However, by law, only the U.S. Customs Service is authorized to issue a binding ruling on this matter. The Commission believes that the U.S. Customs Service should be consulted prior to enactment of the bill.

109TH CONGRESS
1ST SESSION

H. R. 1927

To reduce temporarily the duty on unit asy-battery hi volt.

IN THE HOUSE OF REPRESENTATIVES

APRIL 27, 2005

Mr. HULSHOF introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To reduce temporarily the duty on unit asy-battery hi volt.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. UNIT ASY-BATTERY HI VOLT.**

4 (a) IN GENERAL.—Subchapter II of chapter 99 of
5 the Harmonized Tariff Schedule of the United States is
6 amended by inserting in numerical sequence the following
7 new heading:

“	9902.85.03	Nickel-metal hydride storage batteries, exceeding 300 V, designed for use in hybrid motor vehicles of heading 8703 (provided for in sub- heading 8507.80.80)077%	No change	No change	On or before 12/31/2008	”.
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1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) applies to goods entered, or withdrawn from
3 warehouse for consumption, on or after the 15th day after
4 the date of enactment of this Act.

